

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1720 – SB 2820

February 6, 2022

SUMMARY OF BILL: Remits 4.6030 percent of the sales and use taxes collected from dealers in Dickson, Hickman, Houston, and Humphreys County from the General Fund to the respective counties in FY21-22 through FY23-24, as a result of the severe storms and flooding that occurred on or around August 21st, 2021. Authorizes residents of such counties whose residence was damaged or destroyed to apply for a refund of sales and use tax paid for certain goods not to exceed \$3,500.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$3,638,800/FY21-22
\$3,820,700/FY22-23
\$3,820,700/FY23-24

Increase State Expenditures – \$270,100/FY22-23

Increase Local Revenue – \$3,638,800/FY21-22
\$3,820,700/FY22-23
\$3,820,700/FY23-24

Assumptions:

Sales Tax Appropriation

- DOR reports the FY20-21 state sales and use tax collection was \$65,591,796 in Dickson County, \$9,454,094 in Hickman County, \$2,854,554 in Houston County, and \$13,296,111 in Humphreys County, totaling \$91,196,555 (\$65,591,796 + \$9,454,094 + \$2,854,554 + \$13,296,111).
- According to Fiscal Review Committee staff estimates, growth rates for the sales and use tax are estimated to be 10.96 percent in FY21-22, and 5.0 percent in FY22-23. For purposes of this fiscal note, it is assumed that sales tax collections in FY23-24 will remain at FY22-23 levels.
- Assuming Dickson, Hickman, Houston, and Humphreys County state sales and use tax collection will grow at the same rates, the included counties are estimated to collect \$101,191,697 (\$91,196,555 x 1.1096) in FY21-22 and \$106,251,282 (\$91,196,555 x 1.1096 x 1.05) in each FY22-23 and FY23-24.

- Based on FY20-21 sales tax collections, approximately 21.878 percent of collections are specifically earmarked, while 78.122 percent of collections is subject to the allocation outlined in Tenn. Code Ann. § 67-6-103(a).
- The amount appropriated to the included counties is estimated to be \$3,638,809 ($\$101,191,697 \times 78.122\% \times 4.6030\%$) in FY21-22, and \$3,820,749 ($\$106,251,282 \times 78.122\% \times 4.6030\%$) in FY22-23 and FY23-24.
- The decrease in state revenue is estimated to be \$3,638,809 in FY21-22, and \$3,820,749 in each FY22-23 and FY23-24.
- The increase in local revenue is estimated to be \$3,638,809 in FY21-22, and \$3,820,749 in each FY22-23 and FY23-24.

Claimant Refunds

- This legislation would provide a refund of Tennessee state and local taxes to residents of such counties whose residence was destroyed or damaged of up to \$3,500.
- It is assumed the refunds will be issued in FY22-23.
- It is estimated that more than 700 residences were affected by the August 21st, 2021 severe storms and flooding.
- The most recent time in Middle Tennessee when state and local tax refunds were issued following a natural disaster was in FY10-11 and FY11-12 for the May 2010 Tennessee floods. It is estimated 10,000 residences were affected by the May 2010 Tennessee floods.
- DOR reports 2,703 claimants were refunded state and local taxes as a result of the May 2010 floods, totaling \$2,759,519; therefore, it is estimated that approximately 27 percent ($2,703 \text{ refunds} / 10,000 \text{ affected homes}$) of affected homes applied for a refund of state and local taxes.
- It is estimated that there will be at least 189 ($700 \text{ affected homes} \times 27\%$) requests from claimants as a result of the severe storms and flooding that occurred on or around August 21st, 2021.
- The average refund per claimant following the May 2010 floods was \$1,021.
- The maximum refund amount of state and local taxes available to a residence following the 2010 floods was \$2,500, meaning the average refund per claimant was 40.84 percent of the maximum allotted amount.
- Assuming the average refund per claimant as a percentage of the maximum allotted amount remains the same for the residences impacted in the included counties, the average refund per claimant is estimated to be \$1,429 ($\$3,500 \times 40.84\%$).
- The increase in state expenditures in FY22-23 is estimated to be \$270,081 ($\$1,429 \times 189$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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